

VILLAGE OF BROADVIEW

Broadview, Illinois

FINANCIAL STATEMENTS

For the Year Ended April 30, 2011
and
Independent Auditor's Report

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VILLAGE OF BROADVIEW

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INDEPENDENT AUDITOR'S REPORT

President and Board of Trustees
Village of Broadview
2350 South 25th Street
Broadview, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Broadview, Illinois, as of and for the year ended April 30, 2011, which collectively comprise the Village of Broadview's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Broadview's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Police Pension Fund, which represent 50.6 percent, 52.1 percent and 40.2 percent, respectively, of the assets, net assets, and additions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report has been furnished to us and our opinion, insofar, as it relates to the amounts included for the Police Pension Fund, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Broadview, Illinois as of April 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplementary information, as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

President and Board of Trustees
Village of Broadview

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Broadview's basic financial statements. The supplementary information and other information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied to the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Baker Tilly Vicchare Krause, LLP
Oak Brook, Illinois
November 18, 2011

VILLAGE OF BROADVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2011

The discussion and analysis of Village of Broadview's (the "Village") financial performance provides an overall review of the Village's financial activities for the year ended April 30, 2011. The management of the Village encourages readers to consider the information presented herein in conjunction with the basic financial statements to enhance their understanding of the Village's financial performance. Certain comparative information between the current year and the prior is required to be presented in the Management's Discussion and Analysis (the "MD&A").

Financial Highlights - Government-wide Financial Statements

- > The Village of Broadview's net assets increased by \$4.8 million or 82.8% compared to the prior year. The Village ended the fiscal year with net assets of \$10.6 million.
- > During the year, revenues of \$20.8 million exceeded expenses of \$16.0 million increasing net assets by \$4.8 million. Net assets of business type activities increased by \$1.3 million or 18.8%, while assets of governmental activities increased by \$3.5 million or 318%.
- > General revenues accounted for \$15.0 million in revenue or 83% of all governmental revenues. Program specific revenues in the form of charges for services and fees, and grants accounted for \$3.1 million or 17% of total governmental revenues.
- > The governmental activities had \$14.5 million in expenses related to government activities. However, only \$3.2 million of these expenses were offset by program specific charges and grants.
- > At the end of the current fiscal year, unreserved fund balance for the General Fund was in a deficit position of \$3.1 million.
- > The Village's total debt decreased by \$3.6 million during the current year to \$30.2 million.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Village's basic financial statements. The basic financial statements are comprised of three components:

- > Government-wide financial statements,
- > Fund financial statements, and
- > Notes to basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business, and are reported using the accrual basis of accounting and economic resources measurement focus.

The statement of net assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

VILLAGE OF BROADVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2011

The statement of activities presents information showing how the government's net assets changed during the fiscal year being reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be divided into two types of activities: governmental and business-type. Governmental activities present the functions of the Village that are principally supported by taxes and intergovernmental revenues. Business-type activities present the functions that are intended to recover all or a significant portion of their costs through user fees and charges. The Village's governmental activities include functions like general government, public safety, highways, and streets and sanitation. The Village's business-type activities include water and sewerage services.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements and are reported using the modified accrual basis of accounting and current financial resources measurement focus. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services it provides. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources; as well as, on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a Village's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains five major individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, 22nd / 17th Avenue TIF Redevelopment, Roosevelt Road TIF, Debt Service and Capital Project all of which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining schedules elsewhere in this report. The Village adopts an annual budget for each of the major funds listed above. A budgetary comparison statement has been provided for each major fund to demonstrate compliance with this budget.

VILLAGE OF BROADVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2011

Proprietary funds

Proprietary funds are used to report the same functions presented as business- type activities in the government-wide financial statements. The Village's proprietary fund presents the activities and balances in Water and Sewerage Fund, which is considered to be a major fund, using the accrual basis of accounting and economic resources measurement focus. Proprietary funds provide the same type of information as the government-wide financial statements, but in greater detail. The proprietary funds reflect the private-sector type operation, where the fee for service typically covers all or most of the cost of operation and maintenance including depreciation.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is much like that for the government-wide financial statements.

Notes to basic financial statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's contributions and funding progress of the Illinois Municipal Retirement Fund, Police Pension Fund, Firefighters' Pension Fund and Other Post-Employment Benefits; as well as, budget to actual comparisons of the funds. Supplementary schedules include combining and individual fund schedules of all non-major funds and Fiduciary Funds.

VILLAGE OF BROADVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2011

Government-Wide Financial Analysis

Table 1
Condensed Statements of Net Assets
(in millions of dollars)

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			<u>Total</u>		
	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>2011</u>	<u>2010</u>	<u>Change</u>
Assets									
Current and other assets	\$ 31.6	\$ 32.5	(2.8)%	\$ 2.9	\$ 2.2	31.8%	\$ 34.5	\$ 34.7	-0.6%
Capital assets	<u>8.7</u>	<u>8.6</u>	1.2%	<u>5.5</u>	<u>5.0</u>	10.0%	<u>14.2</u>	<u>13.6</u>	4.4%
Total assets	<u>40.3</u>	<u>41.1</u>	(1.9)%	<u>8.4</u>	<u>7.2</u>	16.7%	<u>48.7</u>	<u>48.3</u>	0.8%
Liabilities									
Long-term liabilities	30.2	33.6	(10.1)%	-	0.2	(100.0)%	30.2	33.8	(10.7)%
Other liabilities	<u>7.7</u>	<u>8.6</u>	(10.5)%	<u>0.2</u>	<u>0.1</u>	100.0%	<u>7.9</u>	<u>8.7</u>	(9.2)%
Total liabilities	<u>37.9</u>	<u>42.2</u>	(10.2)%	<u>0.2</u>	<u>0.3</u>	(33.3)%	<u>38.1</u>	<u>42.5</u>	(10.4)%
Net assets									
Invested in capital assets, net of related debt	5.3	4.9	8.2%	5.5	4.8	14.6%	10.8	9.7	11.3%
Restricted	5.4	4.2	28.6%	-	-		5.4	4.2	28.6%
Unrestricted	<u>(8.3)</u>	<u>(10.2)</u>	(18.6)%	<u>2.7</u>	<u>2.1</u>	28.6%	<u>(5.6)</u>	<u>(8.1)</u>	(30.9)%
Total net assets	\$ <u>2.4</u>	\$ <u>(1.1)</u>	318.2%	\$ <u>8.2</u>	\$ <u>6.9</u>	18.8%	\$ <u>10.6</u>	\$ <u>5.8</u>	82.8%

Normal Impacts

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Assets summary presentation.

Net results of activities – which will impact (increase/decrease) current assets and unrestricted net assets.

Borrowing for capital – which will increase current assets and long-term debt.

Spending borrowed proceeds on new capital – which will: (a) reduce current assets and increase capital assets; and, (b) increase capital assets and long-term debt, which will not change the net assets invested in capital assets, net of related debt.

Spending of non-borrowed current assets on new capital – which will: (a) reduce current assets and increase capital assets; and, (b) will reduce unrestricted net assets and increase invested in capital assets, net of related debt.

Principal payment on debt – which will: (a) reduce current assets and reduce long-term debt; and, (b) reduce unrestricted net assets and increase net assets invested in capital assets, net of related debt.

Reduction of capital assets through depreciation – which will reduce capital assets and net assets invested in capital assets, net of related debt.

VILLAGE OF BROADVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2011

Current Year Impacts

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village, total net assets increased by \$4.8 million from \$5.8 million to \$10.6 million. The Village's total assets equal \$48.7 million while total liabilities equal \$38.1 million.

The governmental activities show net assets of \$2.4 million, which is reduced as the result of the Village sponsoring a Tax Increment Financing (TIF) District in 1993, 22nd and 17th Avenue Redevelopment Village Square Shopping Center. As an inducement for developers to redevelop this site, the Village issued TIF bonds in 1993 which were refinanced in 1999 to achieve a better interest rate. The outstanding balance of these bonds as of April 30, 2011, is \$13.5 million. In addition, there was a \$5.0 million developer note issued with a stated interest rate of 5%. In the fiscal year ended April 30, 2007, one year of interest on the note was deferred and capitalized or \$250,000 was added to the principal balance of the developer note. This brings the total TIF related debt to \$18.7 million. These bonds and developer note did not produce a capital asset that is owned by the Village, and even though the Village is not obligated for the retirement of the bond debt as it is payable solely from the incremental taxes generated by the TIF, the bonds are nonetheless, required to be reported as a liability of the Village. If sufficient funds are not available in the TIF to pay the debt at the end of the useful life of the TIF in 2016, then the obligations would be cancelled and the Village would report a gain on the cancellation of said debt. Therefore, the deficit will be reduced and eliminated over the remaining life of the TIF. Since the TIF debt distorts the financial position in net assets, if the TIF debt was removed the net asset position would be a positive \$21.1 million at year end. However, all \$18.7 million of the net assets of the governmental activities would be restricted for debt service, capital projects and investment in capital assets and not available for funding current Village operations.

The Village's current and other assets decreased from the prior fiscal year by \$0.2 million. The increase was due in part to a \$1.2 million increase in restricted cash and investments that resulted from the collection of incremental tax revenues within three of the Village's four TIF Funds. The remaining increase was a result of the village's continuing efforts to reduce and/or contain cost within its ongoing operations.

Capital assets increased during the current year by \$0.6 million mainly due to the recording of the current year's depreciation expense offset by new capital improvements. Capital asset purchases were held to a minimum due to the Village's poor financial condition.

Total liabilities had decreased by \$4.4 million at the end of the current year when compared to that of the prior year.

The amounts due the Police and Fire Pension Plans are a result of the Village's failure to distribute real estate and replacement taxes collected on behalf of the respective pension plans. These funds were used to pay for operational expenditures within the General Corporate Fund during the period from approximately January 2002 to May 2004. The Broadview Firefighters Pension Plan entered into an informal agreement with the Village in July 2004, in which the amounts due will be fully satisfied by the year 2015. The Broadview Police Pension Plan signed a formal agreement with the Village in May 2007 for amounts due that will be paid in full by the year 2015.

The outstanding balances due to the Broadview Police and Fire Pension Plans at April 30, 2011, are \$718,465 and \$804,956, respectively. All taxes collected on behalf of the pension plans during the current fiscal year end have been remitted on a timely basis. In addition, all principal and interest payments have been made when due, in accordance with the agreements.

VILLAGE OF BROADVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2011

Table 2
Condensed Statements of Activities
(in millions of dollars)

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			<u>Total</u>		
	2011	2010	Change	2011	2010	Change	2011	2010	Change
Revenues									
<i>Program revenues</i>									
Charges for services	\$ 2.2	\$ 2.1	4.8%	\$ 2.7	\$ 2.6	3.8%	\$ 4.9	\$ 4.7	4.3%
Operating grants and contributions	0.2	0.2		-	-		0.2	0.2	
Capital grants and contributions	0.7	0.1	600.0%	-	-		0.7	0.1	600.0%
<i>General revenues</i>									
Property taxes	8.8	10.2	-13.7%	-	-		8.8	10.2	-13.7%
Other taxes	4.7	4.7		-	-		4.7	4.7	
Intergovernmental	1.3	1.2	8.3%	-	-		1.3	1.2	8.3%
Other general revenues	<u>0.2</u>	<u>0.2</u>		<u>-</u>	<u>-</u>		<u>0.2</u>	<u>0.2</u>	
Total revenues	<u>18.1</u>	<u>18.7</u>	-3.2%	<u>2.7</u>	<u>2.6</u>	3.8%	<u>20.8</u>	<u>21.3</u>	-2.3%
Expenses									
General government	1.8	2.1	-14.3%	-	-		1.8	2.1	-14.3%
Public safety	9.3	9.5	(2.1)%	-	-		9.3	9.5	(2.1)%
Highways and streets	1.3	1.2	8.3%	-	-		1.3	1.2	8.3%
Sanitation	0.6	0.5	20.0%	-	-		0.6	0.5	20.0%
Interest and fees	1.5	1.6	(6.3)%	-	-		1.5	1.6	(6.3)%
Water and sewerage	<u>-</u>	<u>-</u>		<u>1.5</u>	<u>1.6</u>	(6.3)%	<u>1.5</u>	<u>1.6</u>	(6.3)%
Total expenses	<u>14.5</u>	<u>14.9</u>	(2.7)%	<u>1.5</u>	<u>1.6</u>	(6.3)%	<u>16.0</u>	<u>16.5</u>	(3.0)%
Change in net assets before transfers	3.6	3.8	-5.3%	1.2	1.0	20.0%	4.8	4.8	
Transfers	<u>(0.1)</u>	<u>-</u>		<u>0.1</u>	<u>-</u>		<u>-</u>	<u>-</u>	
Change in net assets	3.5	3.8	(7.9)%	1.3	1.0	30.0%	4.8	4.8	
Net assets, beginning of year	<u>(1.1)</u>	<u>(4.9)</u>	77.6%	<u>6.9</u>	<u>5.9</u>	16.9%	<u>5.8</u>	<u>1.0</u>	480.0%
Net assets end of year	<u>\$ 2.4</u>	<u>\$ (1.1)</u>	318.2%	<u>\$ 8.2</u>	<u>\$ 6.9</u>	18.8%	<u>\$ 10.6</u>	<u>\$ 5.8</u>	82.8%

Normal Impacts

There are eight basic (normal) impacts that will affect the comparability of the revenues and expenses on the Statement of Activities summary presentation.

Revenues

Economic condition – which can reflect a declining, stable or growing economic environment, and has substantial impact on state sales, replacement and hotel/motel tax revenue; as well as, public spending habits for building permits, elective user fees, and volumes of consumption.

VILLAGE OF BROADVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 30, 2011

Increase/decrease in Village approved rates – while certain tax rates are set by statute, the Village has significant authority to impose and periodically increase/decrease rates (water, home rule sales tax, etc.).

Changing patterns in intergovernmental and grant revenue (both recurring and non-recurring) – certain recurring revenues (state shared revenues, etc.) may experience significant changes periodically while non-recurring grants are less predictable and often distorting in their impact on year to year comparisons.

Market impacts on investment income – the Village's investments may be affected by market conditions causing investment income to increase/decrease.

Expenses

Introduction of new programs – within the functional expense categories (general government, public safety, public works, and community development), individual programs may be added or deleted to meet changing community needs.

Change in authorized personnel – changes in service demand may cause the Village to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent the largest operating cost of the Village.

Salary increases (annual adjustments and merit) – the ability to attract and retain human and intellectual resources requires the Village to strive to approach a competitive salary range position in the marketplace.

Inflation – while overall inflation appears to be reasonably modest, the Village is a major consumer of certain commodities such as supplies, fuel, and parts. Some functions may experience unusual commodity specific increases.

Current Year Impacts

The Governmental Activities revenues decreased from prior year by \$0.6 million to \$18.1 million. A \$1.4 million decrease in property tax receipts was due to a reduction in incremental property taxes generated by the Village's TIFs. A portion of the decrease was offset by increases in Capital Grants and Contributions of \$0.6 million. Please refer to the table on page 8 for details of revenue categories.

Governmental Activities expenditures decreased by \$0.4 million in the current year as compared to that of the prior year, which was mainly attributable to lower expenditures in general government and public safety expenses (down \$0.3 and \$0.2 million respectively).